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**The Louisiana Forestry Association**

**Alexandria, Louisiana**

**Financial Statements**

**December 31, 2008**

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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/12/09

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**KnightMasden**

A Professional Accounting Corporation

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March 24, 2009

### Independent Auditors' Report

Board of Directors  
The Louisiana Forestry Association  
Alexandria, Louisiana

We have audited the accompanying statement of financial position of The Louisiana Forestry Association (a nonprofit organization) as of December 31, 2008, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Louisiana Forestry Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Louisiana Forestry Association as of December 31, 2008, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary data schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

  
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The Louisiana Forestry Association  
Statement of Financial Position  
December 31, 2008

Assets	
Current Assets	
Cash and cash equivalents	\$ 263,534
Certificates of deposit	296,204
Accounts receivable - advertising	7,899
Accounts receivable - other	38,228
Prepaid expenses	3,781
Accrued interest receivable	<u>2,999</u>
Total Current Assets	612,645
Property and Equipment, net	234,039
Other Assets	
Cash surrender value	104,243
Marketable securities	<u>76,456</u>
Total Other Assets	<u>180,699</u>
Total Assets	<u>\$ 1,027,383</u>
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	\$ 21,533
Accrued payroll taxes	1,981
Payable to Children's Miracle Network	2,655
Deferred revenues	<u>131,037</u>
Total Current Liabilities	157,206
Net Assets	
Unrestricted	858,439
Temporarily restricted	<u>11,738</u>
Total Net Assets	<u>870,177</u>
Total Liabilities and Net Assets	<u>\$ 1,027,383</u>

The accompanying notes are an integral part of the financial statements.

The Louisiana Forestry Association  
Statement of Activities  
For the Year Ended December 31, 2008

	Unrestricted	Temporarily Restricted	Total
Revenues and Support			
Membership dues	\$ 424,982	\$ -	\$ 424,982
Annual meeting	117,956	29,095	147,051
Programs	2,681	158,046	160,727
Programs - donated services	-	74,758	74,758
Tree farm	22,199	-	22,199
Public information	-	4,861	4,861
<i>Forest &amp; People</i> magazine	58,475	-	58,475
Legislative	-	4,210	4,210
Investment income and unrealized loss	(79,123)	-	(79,123)
Other revenue	25	8,025	8,050
Sustained forestry initiative	116,603	-	116,603
Logging council	43,708	-	43,708
Total Revenue and Support	707,506	278,995	986,501
Net Assets Released from Restrictions	291,416	(291,416)	
Expenses			
Program Services			
Annual meeting	139,795	-	139,795
Programs	263,780	-	263,780
Tree farm	52,689	-	52,689
Public information	47,901	-	47,901
<i>Forests &amp; People</i> magazine	88,447	-	88,447
Legislative	43,684	-	43,684
Sustained forestry initiative	148,058	-	148,058
Logging council	37,866	-	37,866
Total Program Services	822,220	-	822,220
Management, general and membership development	205,800	-	205,800
Total Expenses	1,028,020	-	1,028,020
Changes in Net Assets	(29,098)	(12,421)	(41,519)
Net Assets, Beginning of Year	887,537	24,159	911,696
Net Assets, End of Year	\$ 858,439	\$ 11,738	\$ 870,177

The accompanying notes are an integral part of the financial statements.

The Louisiana Forestry Association  
Statement of Cash Flows  
For the Year Ended December 31, 2008

Cash flows from operating activities	
Change in net assets	\$ (41,519)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation expense	22,037
Net unrealized loss on investments	99,812
Decrease in accounts receivable - advertising	2,916
Increase in accounts receivable - other	(29,430)
Increase in prepaid expenses	(3,581)
Decrease in accrued interest receivable	2,032
Increase in accounts payable	6,193
Decrease in accrued payroll taxes	(2,162)
Increase in payable to Children's Miracle Network	1,800
Increase in deferred revenue	<u>3,681</u>
Net cash provided by operating activities	61,779
Cash flows from investing activities	
Purchase of plant and equipment	(58,556)
Purchase of certificates of deposit	(90,185)
Purchase of investments	<u>(28,792)</u>
Net cash used in investing activities	<u>(177,533)</u>
Net increase in cash and cash equivalents	(115,754)
Cash and cash equivalents:	
December 31, 2007	<u>379,288</u>
December 31, 2008	<u>\$ 263,534</u>
Supplemental disclosure of cash paid during the year:	
Interest	\$ <u>-</u>
Income Tax	\$ <u>-</u>

The accompanying notes are an integral  
part of the financial statements.

The Louisiana Forestry Association  
Notes to Financial Statements  
December 31, 2008

**Note 1 - Summary of Significant Accounting Policies**

Organization

The Louisiana Forestry Association (the Association) is a nonprofit organization. Its purpose is to advance the cause of forestry and the wood products industry in Louisiana. One of the Association's major programs is the implementation of Louisiana's Sustainable Forestry Initiative developed to meet the needs of the present forestry industry without compromising the future of the industry.

Financial Statement Presentation

The Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

Revenue and Expense Recognition

Program service fees and unrestricted revenues are recorded when earned and expenses are recorded when incurred. Unrestricted contributions and contributions restricted by donor or grantor for particular operating purposes are deemed to be earned and reported as support when received.

Dues are assessed on a calendar year basis. Dues received for future years are reported as deferred revenues. Revenues of *Forests & People* magazine are from non-member subscriptions and advertising. Advertising revenues are recorded when earned. Members automatically receive a magazine subscription but none of the membership dues are allocated to magazine revenues for financial statement purposes.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Depreciation

Property, equipment, major replacements and repairs are capitalized at cost. Repairs, maintenance and minor replacements are charged to operations as incurred. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Contributed assets are recorded at fair value.

Accounts Receivable

Based on past experience, the management of the Association considers all accounts receivable as collectible; therefore, no allowance for doubtful accounts has been established. Receivables are considered past due after thirty days. Infrequently, a receivable does become uncollectible and it is written off at that time. Accounts receivable are recorded net of any applicable discounts.

The Louisiana Forestry Association  
Notes to Financial Statements  
December 31, 2008

**Note 1 - Summary of Significant Accounting Policies, continued**

Income Taxes

The Association is a 501(c)(6) nonprofit organization and does not incur federal or state income taxes, except for any unrelated business income which would occur as a result of *Forests & People* magazine operations. For 2008, a small tax loss was incurred on the magazine. The Association does incur a proxy tax on any qualifying Section 162(e) lobbying expenses.

Cash and Cash Equivalents

The Association considers all highly liquid investments available for current use with an initial maturity of less than three months to be cash equivalents.

Investments

The Association currently has two types of investments; Certificates of deposit and marketable securities. The certificates of deposit are held at various banks, with an initial maturity of three to twelve months.

The marketable securities, with readily determinable fair values and all investments in debt securities, are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. The cost basis of marketable securities is reflected in Note 11. There are no known material unrecorded permanent market value declines in marketable securities. The policy set by the board of directors is to invest all money received for lifetime members into marketable securities.

**Note 2 - Property and Equipment**

<u>Description</u>	<u>Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land		\$11,720	\$	\$ 11,720
Building	40 yrs	41,717	41,717	-
Building improvements	10-39 yrs	182,931	38,823	144,108
Furniture and equipment	5-10 yrs	88,229	36,630	51,599
Automobiles	5 yrs	30,413	3,801	26,612
Total		<u>\$355,010</u>	<u>\$120,971</u>	<u>\$234,039</u>

Depreciation expense for the year was \$22,037.

The Louisiana Forestry Association  
Notes to Financial Statements  
December 31, 2008

**Note 3 - Deferred Revenues**

This amount represents membership dues and other revenues collected in advance for calendar year 2009. The total deferral will be taken into income in 2009.

<u>Type of Revenue</u>	<u>Amount</u>
Membership dues	\$113,585
Subscription	12
Advertising	1,890
Sustained Forestry Initiative	500
Logging Council dues	<u>15,050</u>
Total Deferred Revenues	<u>\$131,037</u>

**Note 4 - Cash and Cash Equivalents**

The cash and cash equivalents as of December 31, 2008 are as follows:

<u>Issuer and Type of Account</u>	<u>Amount</u>	<u>Interest Rate</u>
Cash on Hand	\$100	
Red River Bank - Checking - Logging Council	108,642	
Red River Bank - Checking - Operating	(121,374)	
Red River Bank - Sweep - Operating	269,676	Earnings Subject to Market
AG Edwards - Money Market	<u>6,490</u>	Earnings Subject to Market
Total Cash	<u>\$263,534</u>	

Cash and cash equivalent balances include monies designated to specific programs controlled by committees established by the Board of Directors.

**Note 5 - Contributed Services**

Substantial numbers of unpaid volunteers have made significant contributions of their time to the Association. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

In connection with Project Learning Tree and Wildland Urban Interface Project, the Louisiana Department of Agriculture and Forestry provided in kind services for 2008 valued at \$74,758. This is reflected in the statement of activities as donated services. The corresponding expenses are reflected in the statement of activities as program services.

The Louisiana Forestry Association  
Notes to Financial Statements  
December 31, 2008

**Note 6 - Related Party**

The Association and the Louisiana Forestry Foundation have many of the same Board Members. Both organizations are involved in the Forestry Industry. In addition, the Association and the Southern Forest Heritage Museum and Research Center share several Board Members and the Association was instrumental in establishing the Museum. The Association continues to provide administrative support to both the Museum and the Foundation.

**Note 7 - Pension Plan**

The Association has adopted a simplified employee pension plan (profit-sharing) for all employees with more than one year of service. The Association is under no obligation to make annual contributions to the plan. In 2008, the Association made a voluntary contribution of \$29,964 to the plan, which is included in fringe benefit expense.

**Note 8 - Deferred Compensation Program**

The Association has adopted an Executive Retention Program in which the Executive Director participates. At the discretion of the Board of Directors, the Association may make a contribution on behalf of the employee. In 2008, the Association made a \$12,000 contribution to a life insurance policy for the Executive Director. The Louisiana Forestry Association is the beneficiary. It is the intention of the Board of Directors that the cash value of this policy be transferred to the Executive Director in the event of his retirement or the proceeds to his spouse in the event of his death. The yearly contribution is included in the cash surrender value of this policy which is \$104,243 and is reflected in other assets. The cash surrender value decreased in 2008 by (\$58,973), excluding the \$12,000 payment. This is recorded as an unrealized loss on investments.

**Note 9 - Concentration of Risk**

Financial instruments that potentially subject the Association to credit risk include investments in Money Market and mutual funds. Future changes in economic conditions may make the investments less valuable.

The Association maintains its cash and cash equivalents and certificates of deposit in several local banks. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash and cash equivalents and certificates of deposit balances at December 31, 2008 exceeded FDIC insurance by \$26,313 at one institution. However, as of the report date, the financial institution was in operation and the FDIC insurance had not been utilized.

The Association's primary source of income is from the forestry, timber and logging industries. It is dependent on sustained activity in these industries. In addition, twenty-four member companies make up 48.7% of total dues revenues.

The Louisiana Forestry Association  
Notes to Financial Statements  
December 31, 2008

**Note 10 - Restricted Net Assets**

Temporarily restricted net assets consist of \$11,738 of donor restricted contributions collected in 2005 and 2006 for Teachers Tour. The contributions were not spent and are restricted for future Teachers Tour expenses. As of December 31, 2008 the Association has no permanently restricted net assets.

In addition, the Board of Directors does voluntarily set aside funds for future equipment replacement and any surplus monies earned by Sustained Forestry Initiative, Project Learning Tree, and the Logging Council. As of December 31, 2008 there is no remaining surplus for equipment replacement. SFI surplus is \$83,160, PLT is \$36,803 and Logging Council is \$123,823. These funds are part of unrestricted net assets.

**Note 11 - Investments**

Certificates of Deposit

The Certificates of Deposit held by the Association at December 31, 2008 are as follows:

<u>Issuer</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Wachovia Securities	\$ 20,019	3.50%	01/30/2009
Union Bank	38,810	3.50%	06/10/2009
Union Bank	54,000	3.00%	12/09/2009
Chase	53,762	3.34%	08/14/2009
Sabine State Bank	15,181	2.40%	10/19/2009
Capital One Bank	48,835	2.96%	05/22/2009
Capital One Bank	<u>65,597</u>	3.75%	09/15/2009

Total Certificates of Deposit \$296,204

Marketable Securities

Investments held by the Association at December 31, 2008 are as follows:

<u>Mutual Funds</u>	<u>Cost</u>	<u>Market Value</u>
JP Morgan Portfolio Holdings	\$ 60,434	\$47,122
Legg Mason Value Trust Fund	28,226	11,788
Vanguard 500 Index Fund	<u>25,541</u>	<u>17,546</u>
Totals	<u>\$114,201</u>	<u>\$76,456</u>

JPMorgan Portfolio Holdings, Legg Mason Value Trust Fund and Vanguard 500 Index Fund are recorded at market value which decreased \$40,839 in 2008 excluding purchases and the reinvested dividends. This is recorded as unrealized loss on investments.

The Louisiana Forestry Association  
Notes to Financial Statements  
December 31, 2008

**Note 11 – Investments, continued**

Marketable Securities, continued

Total portfolio income for 2008 consists of the following:

Interest income	\$16,897
Dividend distributions from mutual funds	3,792
Unrealized loss on investments	(40,839)
Unrealized loss on cash surrender value	<u>(58,973)</u>

Presented in the Statement of Activities as:

Investment income and unrealized losses	<u><u>\$(79,123)</u></u>
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## SUPPLEMENTARY DATA

The Louisiana Forestry Association  
Schedule of Revenues and Support  
For the Year Ended December 31, 2008

	Unrestricted	Temporarily Restricted	Total
Membership dues	\$ 424,982	\$ -	\$ 424,982
Annual meeting	117,956	29,095	147,051
Programs			
Project Learning Tree and Teachers Tour	-	47,664	47,664
Donated services, materials and other	-	74,758	74,758
Lower MS Watershed Project Grant	-	26,909	26,909
WFUI Grant	-	80,873	80,873
Forest Awareness and other	2,681	2,600	5,281
Total Programs	2,681	232,804	235,485
Tree farm	22,199	-	22,199
Public information	-	4,861	4,861
<i>Forest &amp; People</i> magazine			
Non-member subscriptions	924	-	924
Advertising income	57,551	-	57,551
Total <i>Forest &amp; People</i> magazine	58,475	-	58,475
Legislative	-	4,210	4,210
Other Revenue and Support			
Investment income	20,689	-	20,689
Unrealized loss on investment	(99,812)	-	(99,812)
Executive meetings		8,025	8,025
Other revenue	25	-	25
Total Other Revenue and Support	(79,098)	8,025	(71,073)
Sustained Forestry Initiative	116,603	-	116,603
Logging Council	43,708	-	43,708
Total Revenues and Support	<u>\$ 707,506</u>	<u>\$ 278,995</u>	<u>\$ 986,501</u>

The Louisiana Forestry Association  
Schedule of Expenses  
For the Year Ended December 31, 2008

Annual Meeting	
Annual meeting expenses	\$ 90,899
Fringe benefits	6,519
Payroll taxes	2,763
Postage	3,336
Salaries	35,503
Travel	775
Total Annual Meeting	<u>139,795</u>
Programs	
Fringe benefits	6,948
Lower MS Watershed Project	24,418
WFUI Grant Expenses	121,597
Payroll taxes	2,551
Postage	936
Project Learning Tree and Teachers Tour	67,000
Salaries	32,772
Special projects & Forest Awareness Week	7,087
Travel	471
Total Programs	<u>263,780</u>
Tree Farm	
Fringe benefits	3,970
Payroll taxes	2,338
Postage	700
Salaries	30,041
Telephone	420
Travel	1,785
Tree farm expenses	13,435
Total Tree Farm	<u>52,689</u>
Public Information	
Fringe benefits	4,721
Payroll taxes	1,561
Postage	9,910
Printing and photography	4,906
Public information	3,952
Salaries	21,848
Travel	1,003
Total Public Information	<u>47,901</u>

The Louisiana Forestry Association  
Schedule of Expenses  
For the Year Ended December 31, 2008

<i>Forest &amp; People Magazine</i>	
Fringe benefits	6,452
Miscellaneous	1,922
Payroll taxes	2,551
Postage	10,875
Printing and photography	32,096
Salaries	32,772
Telephone	580
Travel	1,199
<b>Total <i>Forest &amp; People Magazine</i></b>	<b>88,447</b>
<b>Legislative Expenses</b>	
Education and information	4,304
Fringe benefits	6,948
Payroll taxes	2,125
Postage	200
Salaries	27,310
Travel	1,896
Telephone	901
<b>Total Legislative Expenses</b>	<b>43,684</b>
<b>Sustained Forestry Initiative</b>	
Computer and website expense	3,083
Equipment maintenance	4,920
Fringe benefits	2,812
Meeting	985
Office supplies and postage	3,822
Outreach	37,578
Payroll taxes	3,708
Program and materials	28,665
Salaries	51,890
Telephone	1,762
Travel	8,833
<b>Total Sustained Forestry Initiative</b>	<b>148,058</b>

The Louisiana Forestry Association  
Schedule of Expenses  
For the Year Ended December 31, 2008

Logging Council	
Awards and memorials	1,046
Equipment maintenance	859
Meetings	705
Miscellaneous	4,783
Office supplies and dues	4,729
Postage	7,451
Printing and photography	11,057
Special projects	2,587
Telephone	901
Travel	3,748
Total Logging Council	<u>37,866</u>
Management, General and Membership Development	
Area concept	6,237
Awards and memorials	3,096
Bad debts	432
Bank and credit card charges	5,112
Computer expenses	5,193
Depreciation	22,037
Dues and subscriptions	4,705
Equipment rent	5,461
Executive and other meetings	15,152
Fringe benefits	8,941
Insurance	10,440
Janitor and lawn maintenance	4,080
Maintenance and repairs	186
Miscellaneous	6,513
Office supplies	9,437
Payroll taxes	3,388
Postage	6,527
Printing and photography	409
Professional services	15,970
Salaries	43,983
Telephone	1,522
Training and professional development	240
Travel and entertainment	20,362
Utilities	6,377
Total Management, General and Membership Development	<u>205,800</u>
Total Expenses	<u>\$ 1,028,020</u>